

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 COME-00 XMB-02 CAB-02

CIAE-00 DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00

L-03 H-01 SS-15 NSC-05 SP-02 /071 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 3985

AMEMBASSY TEL AVIV PRIORITY

INFO AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

AMCONSUL JERUSALEM PRIORITY

AMEMBASSY LONDON

AMEMBASSY PARIS

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DEPARTMENT PASS COMMERCE FOR BED/OBOD; EXIMBANK; FAA FOR CARMICHAEL;
BRUSSELS FOR CARY AND PACE; ATHENS FOR RTDO; JERUSALEM FOR RUEDA

FROM RCAA DWOR

1. SUMMARY: LOCKHEED-CALIFORNIA WAS DUE TO PRESENT FINAL OFFER COVERING TWO L-1011-1 TRISTARS TO EL AL ON JULY 2. FINAL DECISION DATE JULY 16 WITH COMPETITION APPARENTLY NARROWED TO TRISTAR AND AIRBUS. AT STAKE ARE ORDERS FOR FIVE AIRCRAFT (TWO FIRM PLUS THREE OPTIONS) VALUED AT APPROXIMATELY \$180 MILLION FOR DELIVERY 1979, 1970 AND 1981; WITH TOTAL REQUIREMENT ASSESSED AT EIGHT AIRCRAFT BY 1985, TOTALLING APPROXIMATELY \$260 MILLION.

2. LOCKHEED-CALIFORNIA MARKETING MANAGER ROBERT WILLS CALLED RCAA JUNE 30 TO DISCUSS LATEST DEVELOPMENTS EL AL MEDIUM-RANGE WIDEBODIED AIRCRAFT EVALUATION. WILLS, IN TEL AVIV ALL LAST WEEK AND THIS PAST WEEK-END, MET WITH AIRLINES' SENIOR V.P. HARLEV. WILLS WAS TO BE JOINED JULY 1 BY LOCKHEED-CALIFORNIA

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DIRECTOR INTERNATIONAL MARKETING GEORGE LOMBARD TO PRESENT OFFER COVERING TWO L-1011-1 TRISTARS, FOR DELIVERY SEPTEMBER-OCTOBER, 1979, AT APPROXIMATE COST 68 MILLION DOLLARS INCLUDING SPARES, WITH THREE ADDITIONAL AIRCRAFT ON OPTION FOR DELIVERY 1980, 1981. HARLEV CLAIMED OFFER ORIGINALLY PRESENTED TO AL AL AT 62 MILLION DOLLARS INCLUDING SPARES, AND AIRLINE COULD NOT UNDERSTAND INCREASE OF 10 PERCENT. WILLS STRESSED ORIGINAL OFFER

BASED ON 1978 DOLLARS, AND 1979 DELIVERY DATES NATURALLY HAD TRIGGERED ANNUAL ESCALATION. LOCKHEED-CALIFORNIA DISTURBED BY HARLEV MISUNDERSTANDING, AS IT BELIEVES COMPANY HAS GONE ALL OUT TO ACCOMMODATE EL AL AT SHARPLY REDUCED TRISTAR PRICES COMPETITIVE WITH A-300B4-100. ACCORDING WILLS, MIDDLE-ECHELON TECHNICAL PLANNING STAFF EL AL HAS RECOMMENDED TRISTAR OVER A-300B-4-100 DUE U.S. AIRCRAFT'S GREATER CAPACITY (330 SEATS VERSUS A-300B4'S 269 SEATS, IN EL AL CONFIGURATION, GREATER RANGE-VERSATILITY (CLEAR TEL AVIV-LONDON-NEW YORK/MONTREAL CAPABILITY TRISTAR, AS AGAINST MARGINAL CAPABILITY TEL AVIV-LONDON A-300B4-100); LOWER L-1011-1 AIRCRAFT INVESTMENT COST PER SEAT; LOWER SEAT-MILE/TON-MILE OPERATING COST AND FUEL-BURNOFF OF L-1011-1.

3. WILLS AND LOMBARD WERE DUE TO SIGN LETTER OF UNDERSTANDING REGARDING LOCKHEED-CALIFORNIA FINAL OFFER TO EL AL ON JULY 2. AIRBUS INDUSTRIE PROPOSAL DUE TO BE PRESENTED TO AIRLINE THIS WEEBQVFIENTRACTUAL/MARKETING TEAM IN FROM TOULOUSE. AIRBUS INDUSTRIE INITI NLUSPOSAL COVERED TWO A-300B4-100'S FOR DELIVERY JANUARY, FEBRUARY 1979. ACCORDING GE GENEVA, HOWEVER, THESE DELIVERY DATES HAVE PROBABLY SLIPPED TO JUNE, JULY 1979. TO COVER APPARENT SHORTFALL IN 347,200 LBS. GROSS TAKEOFF WEIGHT A-300B4-100 PAYLOAD/RANGE CAPABILITY TEL AVIV-LONDON, AIRBUS INDUSTRIE WILL OFFER (ACCORDING GE) TO UPGRADE BOTH AIRBUSES TO A-300B4-200 STANDARD (INCREASE IN GROSS TAKEOFF WEIGHT CAPABILITY TO 363,700 LBS.) DURING 1980. SIMILARLY, LOCKHEED-LIMITED OFFICIAL USE

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CALIFORNIA WILL OFFER TO UPGRADE 430,000 LBS. GROSS TAKEOFF L-1011-1'S TO 466,000 LBS. GROSS TAKEOFF WEIGHT L-1011-100'S OFFERING ENHANCED TRANSATLANTIC PAYLOAD/RANGE CAPABILITY (I.E. LONDON-TORONTO).

4. EL AL OBVIOUSLY AND UNDERSTANDABLY PLAYING LOCKHEED-CALIFORNIA AGAINST AIRBUS INDUSTRIE TO SQUEEZE OUT BEST POSSIBLE OFFER FROM EACH. FLIGHT INTERNATIONAL, LONDON, JUNE 24 ISSUE QUOTES EXECUTIVE CHAIRMAN MORDECHAI BEN ARI AS STATING AIRLINE EXPECTS "IF SELECTING A-300B4-100" AT LEAST THE SAME FINANCIAL ARRANGEMENTS AS EASTERN OBTAINED, POSSIBLY BETTER".

5. FOR TEL AVIV AND JERUSALEM: WILLS EXPRESSED LOCKHEED-CALIFORNIA'S HOPE EMBASSY WOULD CONVEY TO APPROPRIATE GOI AND EL AL OFFICIALS, ON AS HIGH A LEVEL AS POSSIBLE, POSITIVE USG INTEREST IN SELECTION US MANUFACTURED WIDEBODIES AIRCRAFT TO MEET ISRAELI CARRIER'S MEDIUM-RANGE REQUIREMENTS. IN THIS REGARD, WILLS REFERRED TO JUNE 8 LETTER FROM SENATOR ALLAN CRANSTON (CALIFORNIA) TO ASSISTANT SECRETARY COOPER URGING DEPARTMENT'S SUPPORT FOR TRISTAR. WILLS WAS TO LEAVE COP OF LETTER AT EMBASSY MARKED FOR ATTENTION OF COMMERCIAL ATTACHE RUEDA. GARDNER

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Message Attributes

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Decaption Date: 01 jan 1960
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Disposition Action: RELEASED
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